

State of California

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Legislative Change No.

01-27

Bill Number: SB 17XX

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Chapter Number: 01-12

Laws Affecting Franchise Tax Board: Revenue and Taxation Code Sections 17053.84 and 23684

Date Filed with the Secretary of the State: October 9, 2001

SUBJECT: Solar Energy Credit

Senate Bill 17XX (Brulte), as enacted on October 9, 2001, made the following changes to California law:

Sections 17053.84 and 23684 are added to the Revenue and Taxation Code.

This act allows a credit for the purchase and installation of a solar energy system installed on property in this state. The credit is equal to the lesser of:

- 15% of the cost paid or incurred by the taxpayer for taxable years beginning on or after January 1, 2001, and before January 1, 2004, and 7.5% for taxable years beginning on or after January 1, 2004, and before January 1, 2006, or
- The "applicable dollar amount" which would mean \$4.50 per rated watt of the solar energy system.

A "solar energy system" is defined as a solar energy device with a peak generating capacity of not more than 200 kilowatts. The system is to be used solely for producing electricity, and is in the form of either a photovoltaic or a wind-driven system.

The credit is allowed only for one solar energy system for each separate legal parcel of property or for each of the taxpayer's addresses in the state. This act requires the solar energy system to be used for the purpose of producing electricity primarily for the taxpayer's own energy needs.

This act prohibits any taxpayer engaged in any type of utility business as described in the North American Industry Classification System Manual from claiming the credit.

This act does not allow a deduction for any cost for which a credit also is allowed and requires that the basis of the solar energy system be reduced by the amount of the credit allowed.

This act requires the taxpayer to recapture the credit amount if the solar energy system is sold or removed within one year of being placed in service.

This act allows any excess credit to be carried over and used in the following eight years.

This act is effective October 9, 2001, and is operative for taxable years beginning on or after January 1, 2001, and before January 1, 2006.

This act will not require any reports by the department to the Legislature.

Bureau Director

Jana Howard for BP

Date

December 4, 2001